

Commonwealth of Virginia  
Appalachian Regional Commission Program

2004  
Annual Strategy Statement



**Department of Housing and  
Community Development**

The Jackson Center  
501 North Second Street  
Richmond, Virginia 23219

# 2004 Virginia ARC Annual Strategy Statement

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## Introduction and Background

### INTRODUCTION

In accordance with Section 5.3 of the Appalachian Regional Commission (ARC) Code, this document will serve as the State of Virginia's Appalachian Regional Commission Annual Strategy Statement. The purpose of the Strategy Statement is to establish a process to set forth goals, objectives, priorities, and policies for Virginia's ARC Region; identify broad statewide issues and needs that the Governor has chosen to address with ARC resources; and prioritize development projects and programs focusing on these key issue areas in the six Local Development Districts (LDD). The implementation of the Strategy will continue to meet the diverse and changing needs of Virginia's Appalachian Region by targeting and focusing the resources and strategies that mirror ARC's defined goals and objectives, as well as the Governor's goals and objectives defined in the State of Virginia Strategic Plan. More specifically, the Annual Strategy will:

1. Provide a brief description of Virginia's Appalachian development planning process, including the roles of the LDDs and citizens;
2. Give a general profile of Appalachian Virginia, including the Region's identification and description of distressed, competitive and attainment counties and socio-economic profile;
3. Set forth the Governor's goals, objectives, and priorities for the region and identify the needs on which such goals, objectives and priorities are based;
4. Reflect the Commission's Strategic Plan goals and objectives, and its guiding principles, and describe the inter-relationship between economic development in the Appalachian portion of the state and the Appalachian Development Highway System corridors located in the state;
5. Set forth the state operating program policies; and
6. Describe the methods used to review proposals of project applicants to ensure an equitable allocation of state contributions for projects to its Appalachian area, and explain the derivation, rationale, and application of such methods.

In accordance with Section 5.4 of the ARC Code, following the state selection process of the FY 2004 program projects and subsequent recommendations to the Commission, the state ARC office will amend the Annual Strategy Statement to include the State's funded projects. This will be completed prior to May 31, 2004.

## Introduction and Background

### BACKGROUND

The Virginian Appalachian Region encompasses twenty-three (23) counties and seven (7) independent cities (following reversion of the City of Clifton Forge to a Town within Alleghany County). This Region is an area of beauty and natural appeal with mountains of hardwood and coal, fertile valleys, plateaus and ridges for agricultural production. There is no shortage of statistics that show the Region is relatively distressed compared to the rest of Virginia: lower levels of educational attainment, higher unemployment rates, lower median family and household incomes, and shortage of four-lane highways that connect to Regional Highway Corridors are just some of the indicators. Therefore the State utilizes the ARC program objectives to help address the economic deficiencies that have existed in the region since the decline of the coal mining industry.

Governor Mark Warner has appointed William C. Shelton as the Director of the Virginia State Department of Housing and Community Development (DHCD), the agency responsible for ARC program administration. Mr. Shelton will serve as the Governor's Alternate to ARC. Mr. Todd Christensen will serve as the ARC Program Manager and be responsible for the program's administration and project implementation. This organizational structure is the most efficient and effective structuring of ARC program administration.

DHCD is a leader in the state for the development and implementation of strategies that improve the quality of life in Virginia communities through local and regional planning, community and economic development programs, the availability of affordable housing, and building local leadership capabilities. DHCD is also the administrator of the Small Cities CDBG Program, which enables the agency to be in a unique position to coordinate these programs, as well as maintain the working relationships with other funding sources such as Rural Development, Virginia Department of Health (VDH), Economic Development Administration (EDA), and Virginia Resources Authority (VRA). Additionally, DHCD is located in the State Secretariat of Commerce and Trade and maintains a close working relationship with the Virginia Economic Development Partnership and the State Department of Business Assistance.

There are six Planning District Commissions (PDCs) which serve Virginia's thirty (30) Appalachian cities and counties. Local participation in the Virginia ARC program is provided directly through these PDCs, which have been designated as Local Development Districts (LDDs) for executing planning and economic development functions for the Appalachian communities. The LDDs serve as a focal point for citizen participation in the ARC program. DHCD and the LDDs interface frequently to develop investment strategies and projects in the ARC program.

## Introduction and Background

### Virginia's ARC Region

#### Counties

Alleghany County  
Bath County  
Bland County  
Botetourt County  
Buchanan County \*  
Carroll County  
Craig County  
Dickenson County \*  
Floyd County  
Giles County  
Grayson County  
Highland County  
Lee County  
Montgomery County  
Pulaski County  
Rockbridge County  
Russell County  
Scott County  
Smyth County  
Tazewell County  
Washington County  
Wise County \*  
Wythe County

#### Cities

City of Buena Vista  
City of Bristol  
City of Covington  
City of Galax  
City of Lexington  
City of Norton  
City of Radford

\* - Distressed County

## The Virginia ARC Region Development Planning Process

A Public Input Session was conducted on June 3, 2003 in Radford, Virginia to solicit comments on Virginia's FY 2004 Annual Strategy Statement and Program Policies. Participants representing LDDs, educational institutions, nonprofit organizations, economic development organizations, public service authorities, and local governments attended. Attendees were asked to give input regarding updating the program. Comments were received on the State's ARC Program policies, priorities, implementation, and project evaluation. The input of those in attendance was useful in preparation of Virginia's FY 2004 ARC Objectives and Strategies.

An input meeting specifically for the PDCs (LDDs) was also held on June 3, 2003 to solicit their important feedback on the previous year's Program and to obtain suggestions for the year 2004. The State ARC Program staff consults with the six LDDs throughout the year regarding project development and implementation.

In addition to these input sessions, the State ARC Program staff will conduct How-to-Apply Workshops to educate interested parties on ARC funding offerings, including Area Development / Distressed Communities and ARC Entrepreneurship Initiative funding.

### Virginia's Local Development Planning Districts

LENOWISCO Planning District Commission  
P.O. Box 366, Duffield, Virginia 24244  
Ronald C. Flanary, Executive Director

Cumberland Plateau Planning District Commission  
P.O. Box 548, Lebanon, Virginia 24266  
Andrew Chafin, Executive Director

Mount Rogers Planning District Commission  
1021 Terrace Drive, Marion, Virginia 24354  
Thomas Taylor, Executive Director

New River Valley Planning District Commission  
6580 Valley Center Drive, Box 21, Radford, Virginia 24141  
David Rundgren, Executive Director

Roanoke Valley-Alleghany Regional Planning District Commission  
P.O. Box 2569, Roanoke, Virginia 24010  
Wayne G. Strickland, Executive Director

Central Shenandoah Planning District Commission,  
112 MacTanley Place, Staunton, Virginia 24401  
William H. Strider, Executive Director

## Social and Economic Status of the Virginia ARC Region

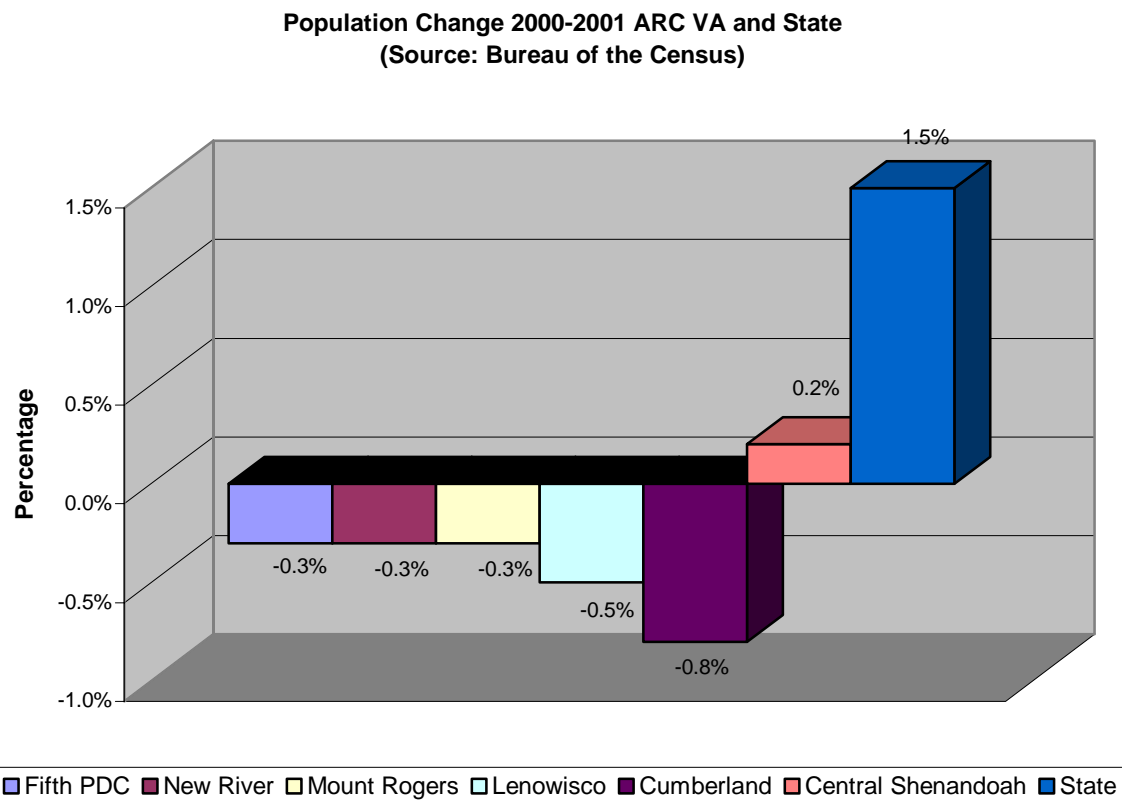
### ECONOMY

The social and economic assessment of the Virginia Appalachian Region that addressed the region's economic decline has identified declining population, higher unemployment, below average wages, relatively low educational attainment, a lack of a technological infrastructure with the capacity to serve commercial/industrial sites as well as residential customers and a lack of access to health care services. The following is a brief comparative analysis of the state and local economic trends and critical needs in the Appalachian Region of Virginia.

### Population

Virginia's Appalachian Region continues to lose population. The 2001 population of the Appalachian Region of Virginia is 1,082,240, a decline of -0.3% from its Census 2000 level. The State of Virginia's 2001 population was estimated at 7,187,734, an increase of 1.5%. Twenty-two out of the 30 Virginia Appalachian localities continued to lose population since the 2000 Census. Only Floyd County had a higher percentage change in population than the state with a 2.3% increase. The City of Radford had the sharpest drop losing 3.2% of its population since the 2000 Census. Table 1 shows the population change in the six Appalachian Planning District Commissions (PDC) and the state.

Table 1



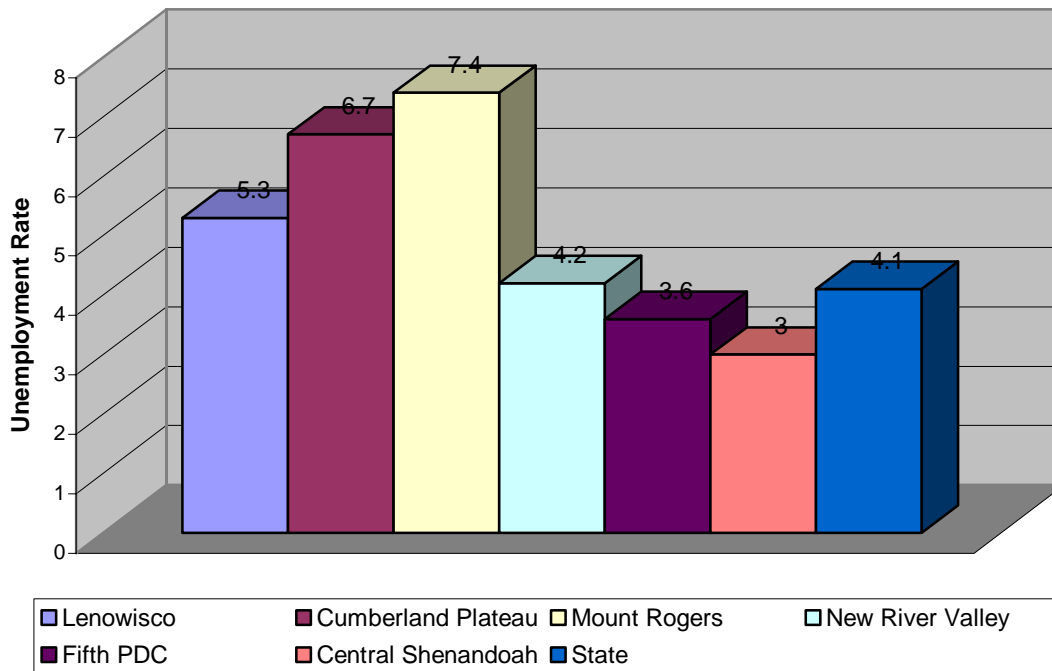
## Social and Economic Status of the Virginia ARC Region

### Unemployment

The Appalachian Region of Virginia has higher unemployment on average than the rest of the state. The median annualized average unemployment rate for the Virginia Appalachian Region (5.03%) in 2002 was higher than the state rate of 4.1% for the same period. Dickenson County had the highest rate of unemployment (14.9%) among the localities. This rate is more than three and one-half times the state unemployment rate in 2002. Twenty-three of the 30 localities in the Region (77.0%) experienced unemployment rates that were greater than the state rate. Table 2 shows the average annual unemployment rate for the ARC Virginia PDCs and the state in 2002.

Table 2

**ARC and State Unemployment Rate 2002**  
(Source: Virginia Employment Commission 2002 Data)



### Income

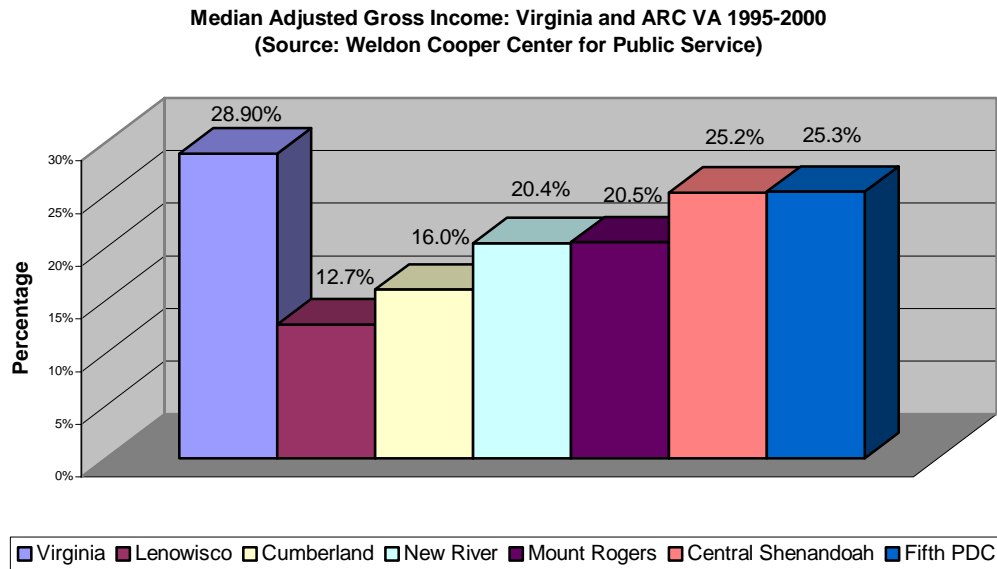
Incomes in Virginia's Appalachian region have not risen as fast as incomes statewide, but show an increase nonetheless. The median adjusted gross income (MAGI) in Virginia grew by 28.9% from 1995-2000, while incomes in the Region grew by 20.4% during the same period. This represents an annual rate of growth of 4.1% for the region and a 5.8% rate for the state. Every locality in the Region had a lower percentage of growth than the state average except Rockbridge County (32.1%), and the City of Lexington (39.7%). The MAGI for the Appalachian Region in 2000 was \$37,444; the MAGI for Virginia was



## Social and Economic Status of the Virginia ARC Region

\$56,530. Table 3 shows the increase in incomes between 1995-2000 for the Virginia Appalachian Region by PDC as compared to the state.

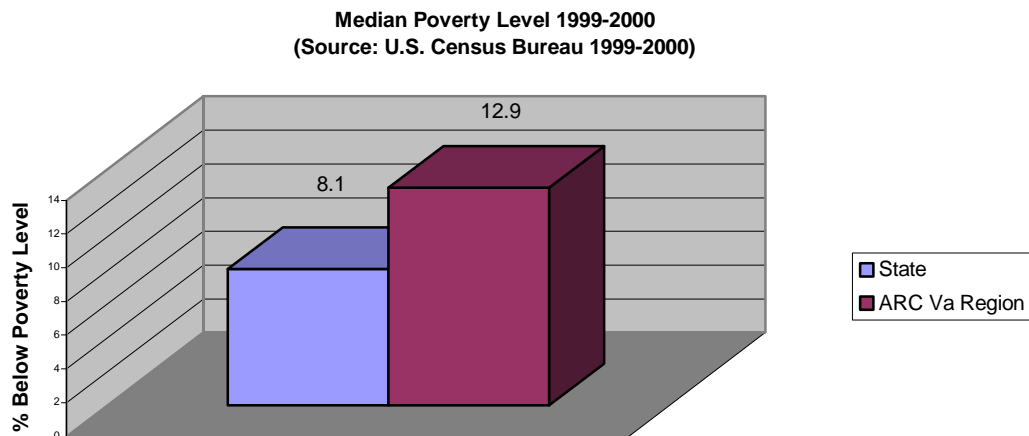
Table 3



### Poverty Level

Poverty continues to be a major factor in Virginia's Appalachian Region. From 1999-2000, the median percentage of citizens below the poverty level statewide was 8.1%, while the median percentage in the Appalachian Region was 12.9%, almost 4% higher. Both the state and the region saw slight increases in poverty level from 1999-2000. Table 4 shows the median percentage of citizens below the poverty line for the Appalachian Region and the state between 1999-2000.

Table 4



## Social and Economic Status of the Virginia ARC Region

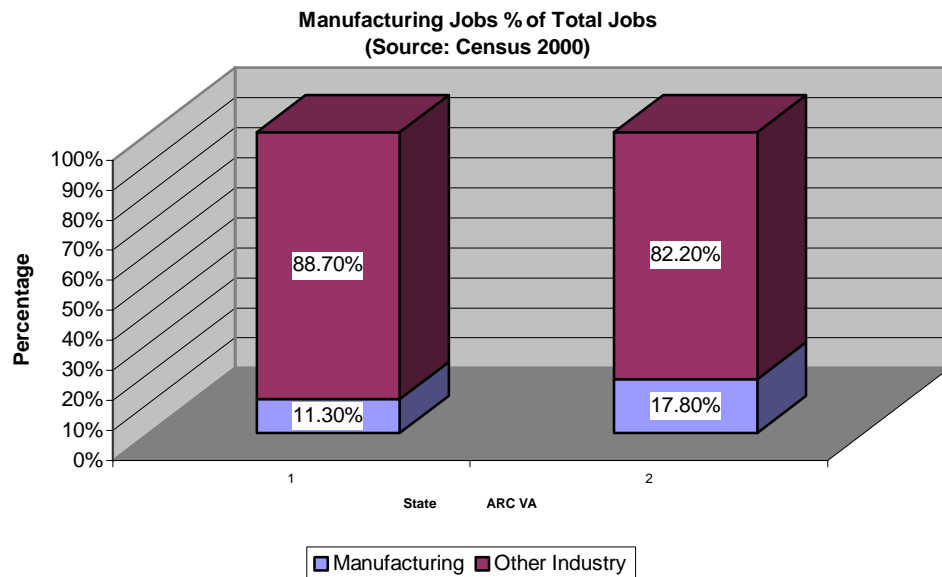
### Industry

While the manufacturing sector continues to decline in the Appalachian Region of Virginia as well as the state, the Region relies on the manufacturing sector as a significant source of employment. The percentage of jobs in the manufacturing sector statewide in 2000 is 11.3% while the median percentage of manufacturing jobs in the Region is almost twice the state percentage or 17.8%. Table 5 demonstrates this comparison.

While service sector jobs have experienced strong growth statewide, similar job opportunities are not as abundant in the Region. Data from the Richmond Federal Reserve indicates that while growth in service sector jobs statewide from 1997-2000 was 4.2%, the median annual percentage growth of service sector jobs in the Region was 1.6%. Botetourt and Floyd counties lead the region in growth of service sector jobs with annual rates of 12.9% and 11.7%, respectively.

However, the Region has a higher overall growth rate in government (local, state and federal) jobs than the state. Data from the Richmond Federal Reserve reveals that from 1997-2000 the average annual growth rate in government jobs was 2.6%, almost one and one-half times the state rate of 1.1%. Rockbridge County and the cities of Buena Vista and Lexington lead the Region with a 9.3% average annual growth rate.

Table 5



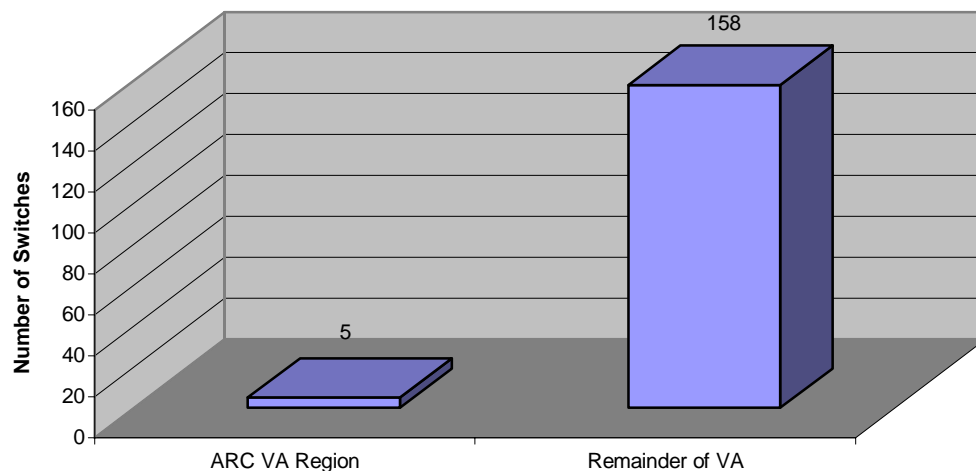
## Social and Economic Status of the Virginia ARC Region

### Technology

Data indicates that the ARC region does not have adequate telecommunications/technological infrastructure necessary to benefit fully from the high tech economy. According to a June, 2002 analysis of the telecommunications and high technology infrastructure of the ARC region conducted by the University of Texas, the Virginia Region had only 6 broadband fiber backbone points of presence, or PoPs, in 5 ARC counties. PoPs are the infrastructure that facilitate access to advanced telecommunications and other technologies. Further, the report reveals that cable modem and DSL (digital subscriber line) services are also limited. There are no more than 12 DSL telephone switches in 4 Virginia Appalachian localities. There is also a lack of competitive local exchange companies (CLECs), which could provide more competitive, cost efficient services to the region, as opposed to the local telephone service provider. Virginia's Appalachian Region currently maintains only 5 CLEC switches (4.2% of all switches in the ARC region) and 115 incumbent local exchange switches (ILECs). There are 158 CLEC switches outside of the ARC Region as well as 391 ILEC switches. The incumbent telephone service providers have less of an incentive to provide broadband services at a competitive cost. Table 6 shows the disproportionate number of CLEC switches in the ARC Region as compared to the rest of the state.

Table 6

**CLEC Switches ARC Virginia and State**  
(Source: ARC 2002 Report)



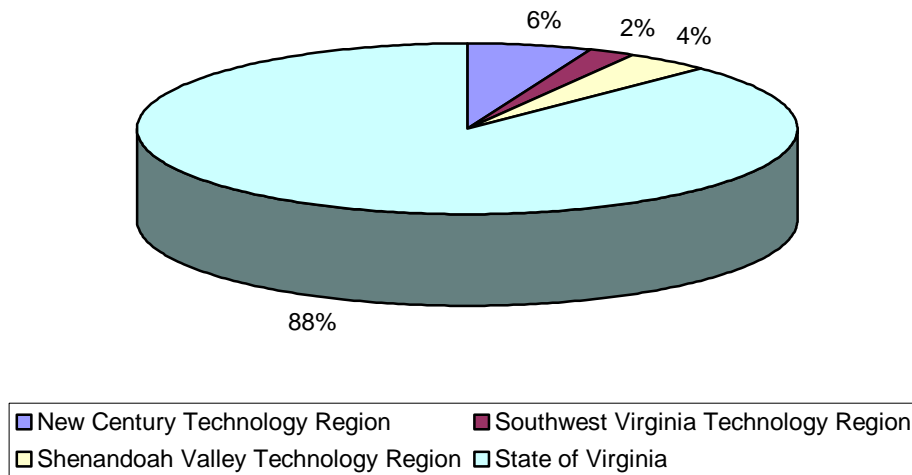
The Virginia Center for Innovative Technology (June 2002), divides Virginia into 9 technology regions, 3 of which encompass the Appalachian Region. The New Century Technology Region, which includes the Appalachian localities of Smyth, Wythe, Bland, Giles, Pulaski, Montgomery, Floyd, Craig, Botetourt, and Alleghany Counties, as well as the cities of Covington and Radford, employed 6% of the total high

## Social and Economic Status of the Virginia ARC Region

technology/telecommunications workforce in Virginia. Average annual wages in the tech region were \$46,127, as compared to \$28,585 for all other industries. The Southwest Virginia Technology Region (Lee, Scott, Wise, Dickenson, Russell, Buchanan, and Tazewell Counties and the City of Norton) employed 2.2 % of the high technology/telecommunications workforce in Virginia. The average wage per worker in 2001 for the high tech region was \$31,000 compared to \$25,200 for all other industries. The Shenandoah Valley Technology Region (Bath, Rockbridge and Highland Counties as well as the cities of Buena Vista and Lexington and other non-ARC localities) employed 4.4% of Virginia's high technology workforce. The average annual wage in the Tech region is \$48,038 as compared to an average annual wage of \$27,328 for all other industries. The median salary for the three tech regions, \$46,127, is comparable to the median salary (\$46,968) for the remaining tech regions in the state. Table 7 compares the percentage of technology jobs in the ARC technology regions with the state.

Table 7

**Technology Region Employment 2002 Percentage of Total Tech Jobs**  
(Source: Appalachian Regional Commission 2002 Report)



### Housing

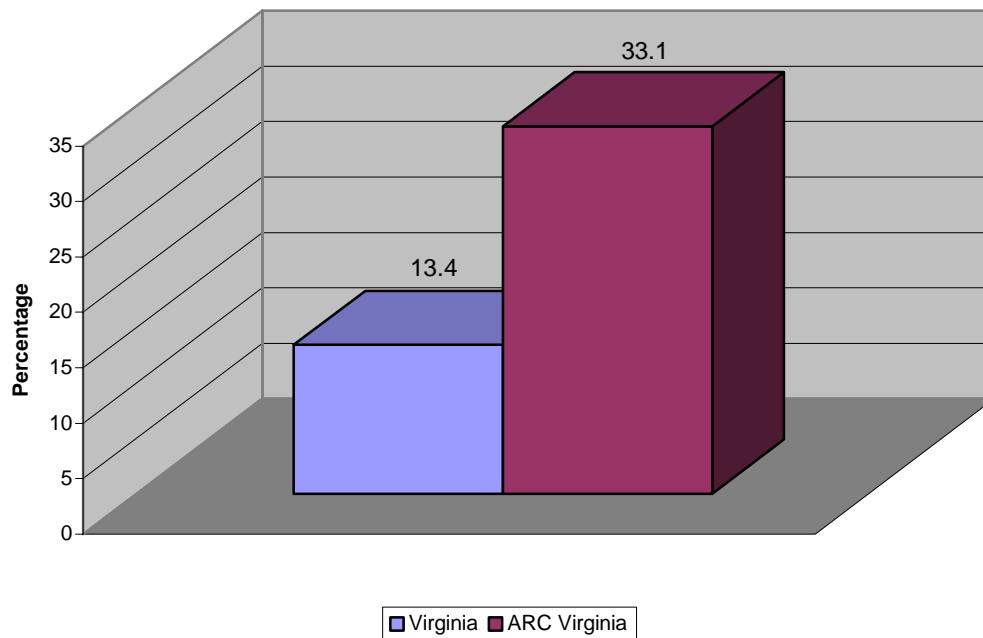
Data indicates that the housing stock in Virginia's ARC region is somewhat dated, but that construction of new homes has increased. The median percentage of housing built prior to 1960 for the Region is 33.1%, compared to 13.4% statewide. However, the

## Social and Economic Status of the Virginia ARC Region

median percentage of homes built in the Region since 1990 is 17% compared to 8.1% statewide. Highland County has the oldest housing stock with 53.2% of the housing built prior to 1960. Craig County had some of the newer housing stock with 28.6 percent of housing being constructed since 1990. Building permits for single-family units also appear to lag behind the rest of the state. 2001 building permit data indicates building permits for single-family units in the Region comprised 5.4% (41,731 units) of the total number of units and 4.4% (\$221,722,208) of the total state cost of \$5,033,071,558. Table 8 compares housing built in the ARC Region of Virginia prior to 1960 with the state.

Table 8

**Housing Built Prior to 1960**  
(Source: Census 2000 Data)



The ARC Region of Virginia also has a substantial number of citizens living in manufactured housing. Although the percentage of people statewide living in such housing is 6.4%, the median percentage of citizens in the Appalachian Region is 18.5%. Fourteen ARC localities have 20% or more of residents living in manufactured homes.

### Secondary Education

Based on an informal analysis of each high school's 2002-2003 School Accreditation Rating, Appalachian high school students, with some exceptions, appear to be adequately meeting the requirements of a basic high school education. Approximately 66% of all high schools in Virginia's Appalachian Region have received either a fully accredited or a provisionally accredited/meets state standards rating on the state

## Social and Economic Status of the Virginia ARC Region

Standards of Learning (SOL), while approximately 75% of remaining high schools statewide have achieved such a rating. Accreditation ratings are based on the achievement of students on tests taken during the previous academic year, and may also reflect a three-year average of achievement.

### Graduation Rate

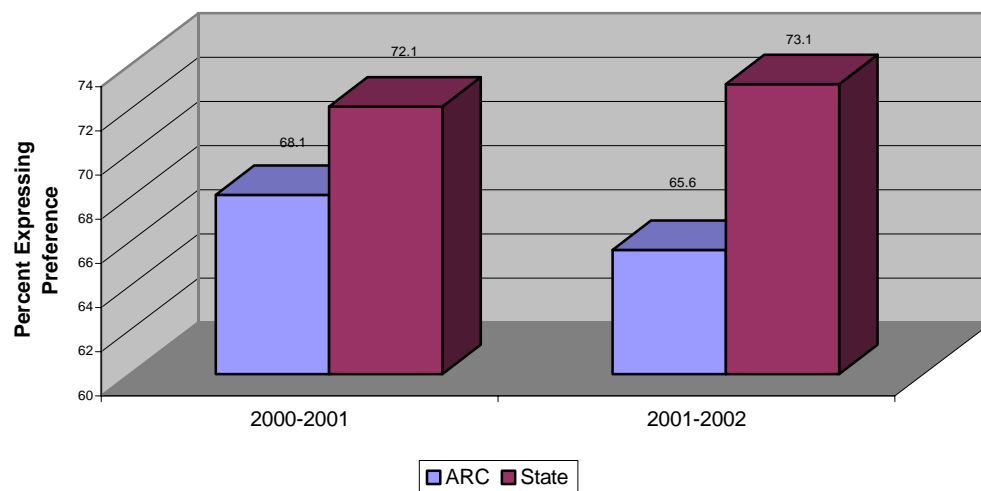
The median high school graduation rate in the Appalachian Region of Virginia for the school year 2001-2002 is approximately 78% or 6,186 graduates. (Data is derived from the approximately 8,097 students who were in the 1998-1999 ninth grade class compared with the number of students receiving a degree in 2001-2002.) The state graduation rate is 77%, or 69,119 students, which is one percent below the Appalachian Region graduation rate. High school graduates in the Appalachian Region of Virginia compose 9% of the state's 69,119 graduates for the 2001-2002 school year.

### Continuing Education Plans

Based on updated data on the plans of Appalachian Region high school graduates from the 2000-2001 and 2001-2002 school years, the plans expressed by graduating Appalachian high school seniors have been relatively constant with respect to those expressing education plans other than college enrollment, those having no plans for continuing educations, and those planning to pursue college educations either at two or four year colleges. It is worthy to note that of those students describing their plans, 68.1% of high school graduates in 2000-2001 (72.1% statewide) were planning to attend a two or four year college and approximately 65.6% of graduates during the 2001-2002 year were planning to continue their education in similar fashion (73.1% statewide). Table 9 compares the plans of graduating high school students in the ARC Region of Virginia with the state.

Table 9

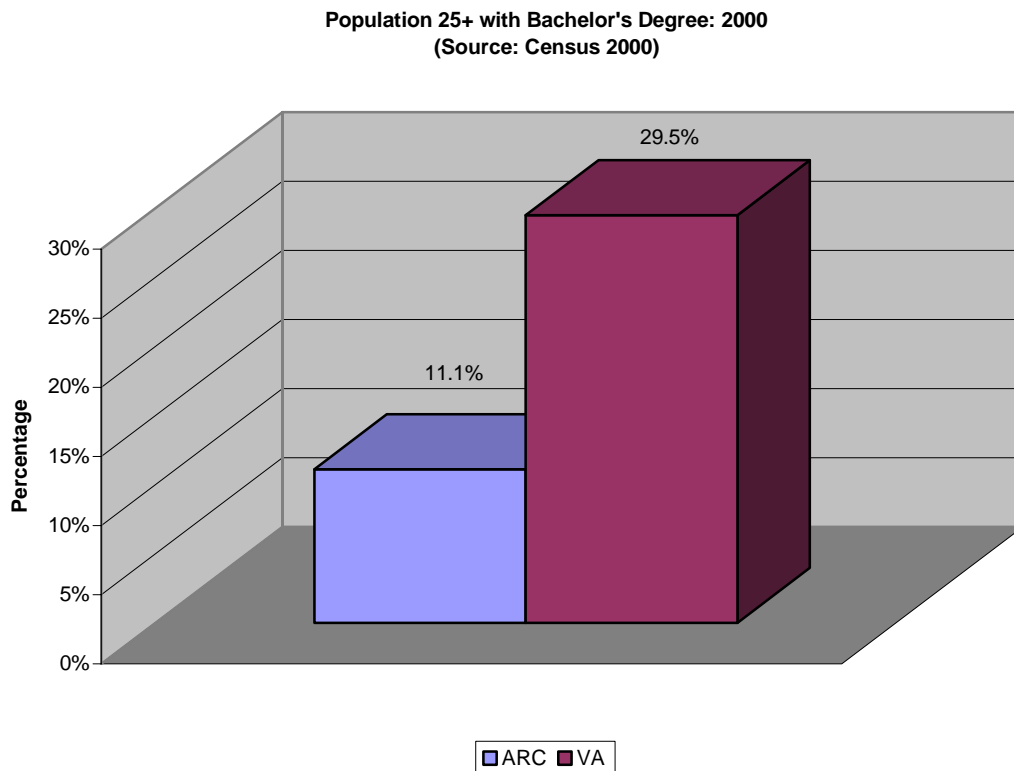
**Graduating Senior Plans for 2 or 4 Year College**  
(Source: Virginia Department of Education Data)



## Social and Economic Status of the Virginia ARC Region

Based on Census 2000 data, it appears that, while respectable numbers of high school graduates seek to further their education, substantially lower percentages of a college-educated populace actually live in the Appalachian Region. While the median percentage of Appalachian residents aged 25 and over with a high school diploma is 70.6%, the median percentage of Appalachian residents aged 25 and over with a bachelor's degree or higher is 11.1%. The statewide percentage of citizens with a bachelor's degree or higher is 29.5%, over two and one-half times the median Appalachian percentage. Only Montgomery County (35.9%) and the cities of Lexington (42.6%) and Radford (34.1%), communities with major public or private institutions of higher education, had higher percentages than the statewide average of those aged 25 years and older with a bachelor's degree or higher. Table 10 compares the median percentage of Appalachian Region residents 25 and older with a bachelor's degree or higher to the statewide percentage.

Table 10



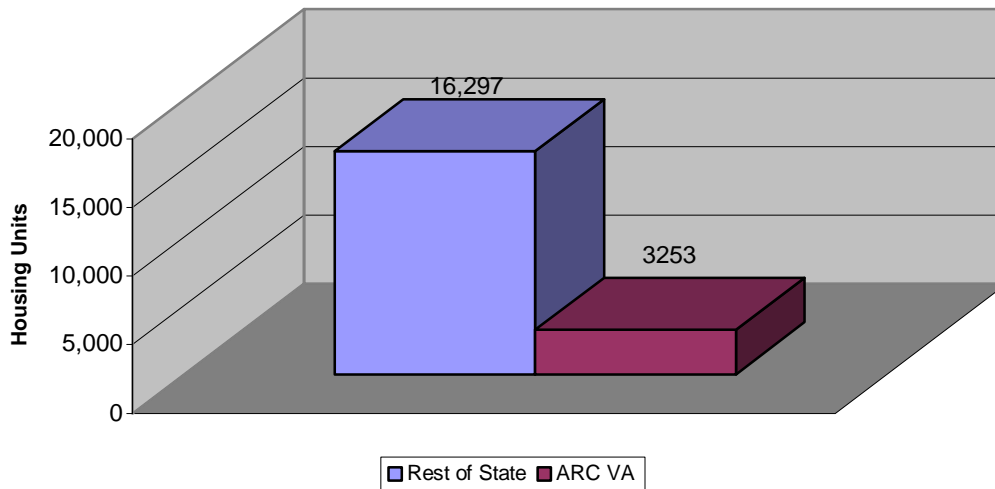
## Social and Economic Status of the Virginia ARC Region

### Plumbing Facilities

Based on 2000 Census figures, a rate of 0.7% of houses in Virginia lacked complete plumbing facilities. In Virginia's Appalachian Region, the median rate was 1.2%, which represents an improvement over a 1990 Census data median rate of 3.1%. According to Census 2000 data, 19,550 homes lacked complete plumbing facilities, with approximately 3,253 or 16.6% located in Virginia's Appalachian Region. The Mount Rogers Planning District Commission had the highest rate of 4.9% of homes lacking in indoor plumbing. Table II shows the number of housing units without access to indoor plumbing facilities in the ARC Region of Virginia compared with the rest of the state.

Table II

**Housing Units Lacking Complete Plumbing Facilities**  
(Source: Census 2000)



### Water and Sewer Connection

Unlike the 1990 Census, the 2000 Census does not provide data on the number of households with water and sewer connections. As a result, current data on water and sewer connections is unavailable.

### Health Care

Data from the Virginia Primary Care Association confirms that access to medical care continues to be a major concern in Virginia's Appalachian Region but that progress has been made. In a 2001 Marketplace analysis, all PDCs in the Appalachian Region are categorized into two marketplaces, Highland and Southwest. In the Highland Marketplace, 13% or 40,644 residents were uninsured in 1998. The percentage of uninsured Virginians is the same as the state percentage at that time. In the Southwest Marketplace, 15% of the marketplace's 802,744 residents, or 120,411 residents, were uninsured. The uninsured percentage is 2 percentage points higher than the 1998 state



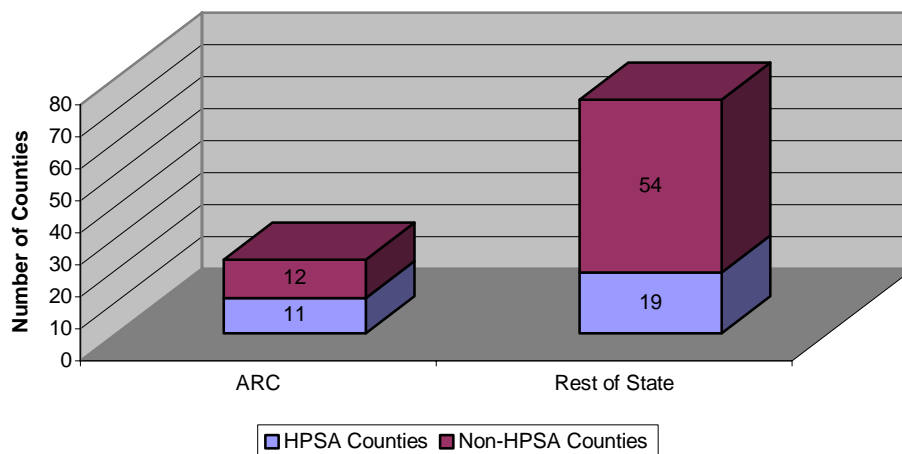
## Social and Economic Status of the Virginia ARC Region

percentage. Data also indicates that residents of Virginia's Appalachian Region rely extensively on the government health care programs Medicare and Medicaid. At least 69,467 residents (22%) in the Highland Marketplace in the year 2000 were enrolled in Medicaid and Medicare. At least 248,042 residents (30.9%) in the Southwest Marketplace were enrolled in Medicare and Medicaid. Both marketplaces have a higher percentage of Medicare and Medicaid enrollees than the state percentage of 19.6%.

Data indicates that access to health care professionals is more limited in the Appalachian Region of Virginia than the rest of the state. According to federal guidelines for the designation of geographic areas as a Health Professional Shortage Area (HPSA), (1) the geographic area involved must be rational for the delivery of health services, (2) a specified population-to-practitioner ratio must be exceeded within the area, and (3) resources in contiguous areas must be shown to be overutilized, excessively distant, or otherwise inaccessible. In Virginia, 30 counties have been designated as a HPSA. Of those counties, 11 (or 48% of all Appalachia Virginia counties) are located in the Appalachian Region of Virginia. The 19 HPSA counties outside of the Appalachian Region constitute only 26% of all remaining Virginia counties. County-level data indicates a greater shortage of health care professionals in the Appalachian Region relative to the rest of the state. Table 12 compares HPSA counties in the ARC Region with the rest of the state.

Table 12

**HPSA Counties 2003**  
(Source: U.S. Health Resources and Services Administration)



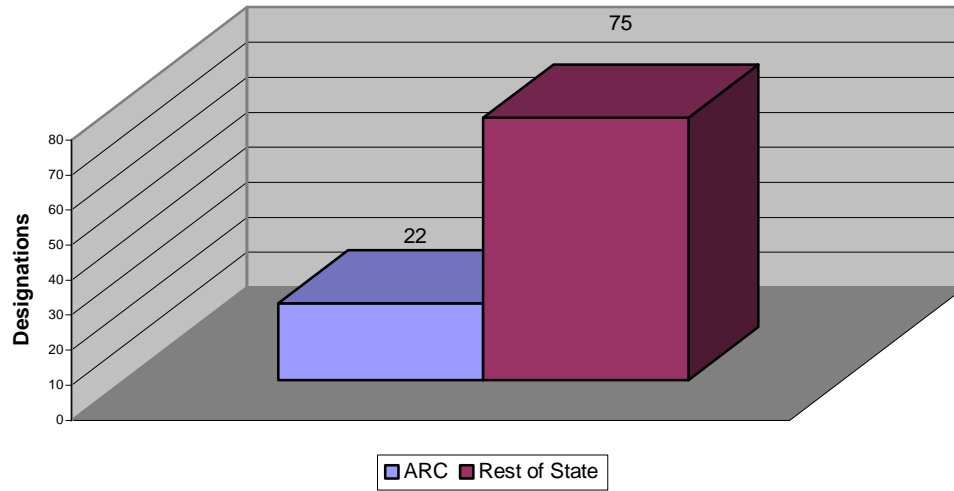
During the period from 1998 to the present time, a substantial portion of localities in the Appalachian Region of Virginia have been designated annually by the federal government as Medically Underserved Areas (MUA). This classification denotes localities that fall below an indexed weighted, cumulative score on four variables (primary care physicians per 1,000 population, percentage of population below the poverty level, the infant

## Social and Economic Status of the Virginia ARC Region

mortality rate, and the percentage of the local population that is age 65 or older.) In the case of Virginia's Appalachian Region, 22 of the 30 counties and cities in the Region (73.3%) have received this designation each year in this comparison. An additional 75 localities have received this designation statewide. Table 13 compares MUAs in the Appalachian region with the remaining designations statewide.

Table 13

**MUA Designations ARC and State 2003**  
(Source: U.S. Health Resources and Services Administration Database)

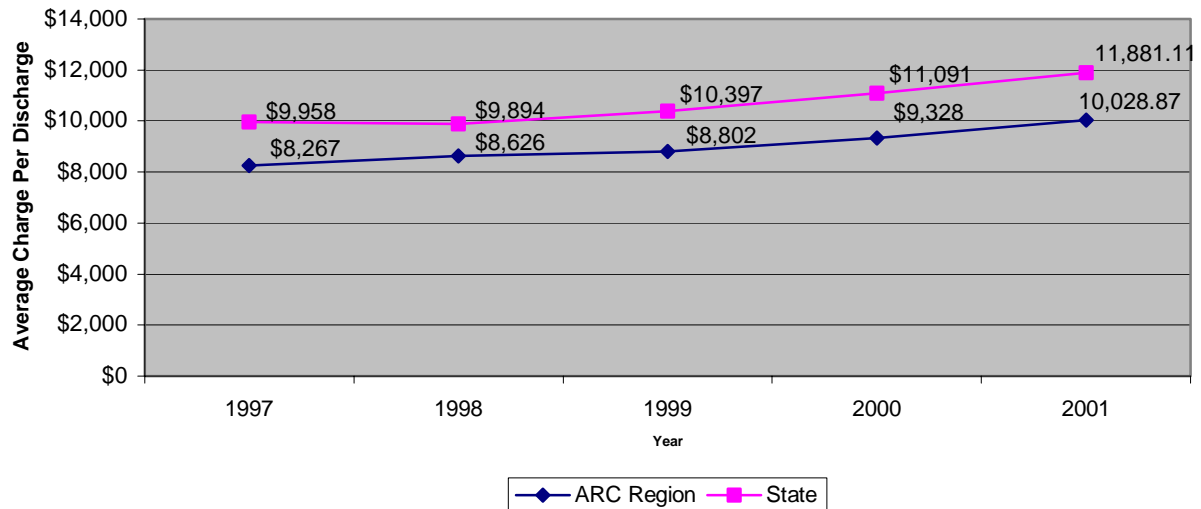


During the period from 1997 through 2001, actual average charges for inpatient hospital care in the Virginia Appalachian Region were consistently below those for the state as a whole. The disparities between the state and the Region ranged from \$1,268 in 1998 to approximately \$1,853 in 2001. Table 14 compares the inpatient hospital charges per discharge for the period 1997-2001.

## Social and Economic Status of the Virginia ARC Region

Table 14

### Average Hospital Charge Per Discharge (Source: VHI Inc)



#### Length of Stay

With the exception of 1997 data, which has not been explained, the Virginia Appalachian Region has sustained an average length of stay for discharges that has been .4% below that of all discharges in the state for a comparable length of time (1997-2001). While the disparity between the Region and the State data is marginal, the data is a good predictor of health care usage in Virginia and its citizens in its Appalachian Region.

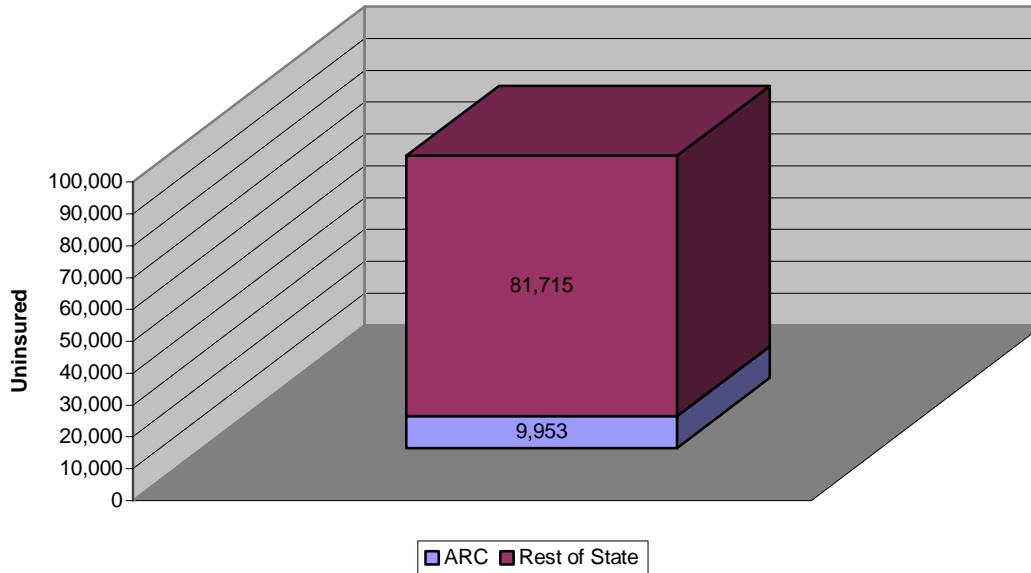
#### Uninsured Children

While state and federal programs have made health care more accessible for children in the Appalachian Region, data suggests that additional work is needed to provide health insurance for a significant number of children. February 2003 data from the Virginia Health Care Foundation indicates that of the 91,668 children in Virginia without health insurance, 9,953 (10.8%) children are in the Appalachian Region of Virginia. Data on 28 of the 30 Appalachian localities indicates Montgomery County had the highest number of uninsured children (1,466) and Bath County had the lowest number of uninsured children (12). Table 15 compares the number of uninsured children in the ARC Region of Virginia with the rest of the state.

## Social and Economic Status of the Virginia ARC Region

Table 15

Uninsured Children ARC and State  
(Source: Virginia Health Care Foundation)



### Community Revitalization

Revitalization of communities and neighborhoods to provide a high quality living environment remains a major state strategic goal. Efforts are underway on a number of fronts to promote this goal. Comprehensive technical assistance and training are offered to local Main Street organizations for downtown revitalization. The Federal and State Enterprise Zone Community Program provides a major resource for community revitalization by providing tax credits to businesses that create jobs targeted for economically distressed individuals of the area. The Virginia Community Development Block Grant Program offers many options for grant money for community and downtown revitalization.

### Civic Development and Leadership

The State ARC office will continue to look at efforts to increase the capacity of existing local development organizations. This involves professionally delivered assistance in the areas of leadership development and training, institution of community strategic planning processes, utilization of telecommunications and technology in local government management, community and economic development, and use of innovative approaches to service delivery, including public-private sector partnerships and regional approaches, wherever possible. Virginia is entering its third year of participation in the ARC FLEX-E-GRANT Program. Virginia's efforts target leadership and capacity-building in the Distressed Counties.

## Social and Economic Status of the Virginia ARC Region

### CRITICAL NEEDS OF THE REGION

The key to future economic growth and prosperity in the Appalachian region of Virginia lies in strengthening the competitiveness of existing industry, supporting the formation of new small and medium sized businesses, especially high-wage, high technology firms, and continued development of the state's tourism industry. Specific needs of the region are listed below:

- ◆ Shortage of affordable capital;
- ◆ Support for improved development and marketing of the state's tourism attractions;
- ◆ Improved coordination of business assistance including consolidation of business services at central locations, where possible, for more comprehensive service;
- ◆ Continued support for safe, reliable water supplies and systems;
- ◆ Assistance with worker training technology adaptation/modernization and formation of new technology-based businesses;
- ◆ Support for manufacturing enterprises, which would process and add value to existing Virginia products, particularly wood products.
- ◆ Continued support for the area's entrepreneurial business efforts
- ◆ Assistance in locating and accessing markets, particularly exporting assistance;
- ◆ Assistance in providing telecommunications infrastructure and access;
- ◆ Assistance in developing telemedicine infrastructure;
- ◆ Support for homeownership and availability of affordable housing.

### THE REGION'S STRENGTHS, WEAKNESSES, OPPORTUNITIES AND THREATS

The following is a listing of the strengths, weaknesses and opportunities that are critical elements which feed into the assessment of the above mentioned economic and social indicators and the region's critical needs. These elements have been identified by participants during focus groups and other meetings in the region.

#### Strengths:

- Strong work ethic and labor force participation;
- Unique natural and cultural heritage;
- Tradition of regional cooperation and progressive local elected leadership;
- Economic development structure in place and functioning;
- Excellent LDDs;
- Access to technical and planning resources;
- High school graduation rate that exceeds the State average.

## Social and Economic Status of the Virginia ARC Region

### Weaknesses:

- Outmigration of educated workers;
- Average annual wages below state level;
- Lack of infrastructure;
- Lack of access;
- Heavy reliance on single sector employment (lack of diversification);
- Lack of developable land for industrial sites.

### Opportunity Identification for the Region:

- Fund a variety of projects with longer ranged impact and leverage with varying funding sources to ensure success;
- Create community awareness among young people;
- Provide incentives for students to stay in the Region;
- Encourage and reward regional partnerships;
- Maintain ARC program flexibility;
- Pursue improvements in telecommunications.
- Explore/Develop nontraditional businesses;
- Promote long-term comprehensive, regional planning;
- Capitalize on eco/heritage tourism opportunities.

Overall economic growth is a critical need of the Region, and is the focus of the Virginia ARC program. Virginia's challenge is to work with the strengths of the Region, find methods to take the best advantage of the Region's many opportunities, and to deal with its imperfections.

## Social and Economic Status of the Virginia ARC Region

### IDENTIFICATION OF DISTRESSED AND COMPETITIVE COUNTIES

#### Distressed Counties

The Appalachian Regional Commission (ARC) designated three counties as Distressed Counties for FY 2004. These counties include: Buchanan, Dickenson, and Wise. The ARC designated distressed counties are generally located in the coalfield's subregion of Southwest Virginia. The economies of these counties are traditionally based on coal mining and other natural resource industries. The lack of economic diversity, their relative geographic isolation, and the quasi-dependence on the coal industry have been, in the past, contributors to the area's limited economic vitality. With the decline in coal employment driven by global economic trends, technical innovation, and reserve depletion, renewed efforts are underway to reinvigorate the local economies.

Much of the distressed county area has a mountainous terrain and substantially inadequate infrastructure; provision of basic services such as water, wastewater and solid waste is expensive. Groundwater sources are limited and of poor quality. The areas are highly rural, characterized by isolation and scattered settlements typical of Central Appalachia. The local governments have a very limited local ability to generate revenue. Several droughts in recent years have contributed to the extent of the need for water in several of the distressed counties. The area is struggling with developing infrastructure telecommunications and access to help overcome their geographic isolation.

The Virginia ARC program provides financial leveraging incentives for projects developed in these distressed counties. The program also seeks to contribute to the enhancement of economic development activities in the distressed counties. Strategies to promote infusion of ARC funds into these Counties include:

- Continuation of funding for regional water and sewer infrastructure projects
- Continuation of entrepreneurship initiative efforts for businesses
- Exploration of solutions for health issues and use of telemedicine to address these
- Continuation of telecommunications projects in Distressed areas
- Administration of Flex-E-Grant Program and similar capacity building efforts
- Exploration of opportunities to capitalize on the region's rich cultural heritage

#### Competitive County

Botetourt County is Virginia's only ARC-designated competitive county. Income, unemployment and poverty measures since 1980 reflect the county's overall stable, positive economic vitality. Within Botetourt County, economic disparity exists between the southern part of the county that is part of the Roanoke region and the northern part of the county whose economy identifies more closely with the Alleghany Highlands' economic profile. Therefore, Botetourt's overall economic indicators of income,

## Social and Economic Status of the Virginia ARC Region

population growth, unemployment, and poverty tend to be indicative of the county's positive economic contributions generated as part of the Roanoke economic region.

### New Counties and Cities

No new counties or cities were added to Virginia's Appalachian region for FY 2004. However, for 2004 Lee County and Russell County reverted to being Transitional Counties based on 2000 Census figures.



## State Objectives and Strategies

In response to the Commission's strategic goals, the Commonwealth of Virginia has developed objectives and strategies that will guide Virginia's investments of Appalachian Region Commission (ARC) funds for Fiscal Year 2004. These goals, objectives and strategies are described below:

**Commission Goal 1:**            Appalachian residents will have the skills and knowledge necessary to compete in the world economy in the 21<sup>st</sup> century.

**State ARC Objective:**        Develop a world class work force that is well educated and appropriately trained for the job market.

### Strategies:

- 1.1     Support programs that will ensure the availability of a work force with skills and abilities required to promote economic retention and growth.
- 1.2     Support programs to implement welfare reform, which will engage recipients of public assistance into meaningful work.
- 1.3     Implement work force readiness programs such as technologically literate workforce training and technological training in math, science, and engineering that will ensure students are given the necessary skills to enable them to find and hold jobs.
- 1.4     Continue to support initiatives that will reduce the school dropout rates.
- 1.5     Support programs that will improve the enrollment of Virginia Appalachians in post-secondary education.
- 1.6     Continue to expand educational opportunities through telecommunications.
- 1.7     Support the development of a comprehensive work force preparedness strategy among the various provider agencies for Virginia's Appalachian Region.
- 1.8     Provide skill development training for high demand jobs which currently lack adequate training programs (ex. construction).

## State Objectives and Strategies

**Commission Goal 2:** Appalachian communities will have the physical infrastructure necessary for self-sustaining economic development and improved quality of life.

**State ARC Objective:** Assist communities to provide and develop an adequate physical infrastructure to support economic development opportunities and improve the quality of life.

### Strategies:

- 2.1 Assist community water supply and wastewater treatment projects that will support private investment leading to job creation or retention.
- 2.2 Assist community water supply and wastewater treatment projects that will support private investment leading to job creation or retention in distressed counties and that will address serious health/environmental compliance problems. Such projects could be proposed to be carried out through a Self-Help method of implementation.
- 2.3 Provide financial and technical assistance to communities for development of industrial sites and parks, shell buildings, business incubators and micro-enterprises.
- 2.4 Help establish multi-county projects for establishing solid waste collection, disposal and recycling.
- 2.5 Assist in the local revitalization efforts that will increase the physical and economic revitalization of communities, neighborhoods and downtowns.
- 2.6 Provide funding for the provision of safe, affordable housing units by assisting in the renovation and rehabilitation of existing structures and the production of new housing units where needed.
- 2.7 Support local access road projects that would result in job creation or retention opportunities or community revitalization.
- 2.8 Support public-private sector partnerships, which provide clear and measurable service outcomes directly associated with quality sustainable job creation activities, to deploy advanced traditional and nontraditional cost-effective solutions and increase advanced telecommunications infrastructure capacity.
- 2.9 Provide access to child and adult care services in specific work-related environments.

## State Objectives and Strategies

Commission Goal 3: The people and organizations of Appalachia will have the vision and capacity to mobilize and work together for sustained economic progress and improvement of their communities.

State ARC Objective: Increase local and regional leadership, planning and management capacity.

### Strategies:

- 3.1 Encourage local leaders to develop innovative, cost-effective arrangements for delivery of services, including regional approaches, privatization and service consolidation.
- 3.2 Encourage Local Development Districts (LDDs) to become more involved in local and regional capacity building.
- 3.3 Assist communities and regions in establishing ongoing strategic planning and management processes.
- 3.4 Encourage communities and community leaders to develop the skills and tools necessary to use existing and innovative telecommunications technology to assist in their community and economic development efforts.
- 3.5 Encourage efforts to establish ongoing local and regional civic and leadership development programs.

## State Objectives and Strategies

**Commission Goal 4:** Appalachian residents will have access to financial and technical resources to help build dynamic and self-sustaining local economies.

**State ARC Objective:** Expand financial and technical assistance services for business formation, retention and expansion.

### Strategies:

- 4.1 Assist small and medium-sized business to access markets for their products, with emphasis on export training and assistance that will enable them to participate in the international marketplace.
- 4.2 Support programs that will provide access to entrepreneurship training for high school students and adults.
- 4.3 Assist in the expansion of the availability of capital for small and medium-sized businesses, including microenterprises and new small technology-based companies through the use of revolving loan funds or other financing mechanisms.
- 4.4 Encourage public-private sector partnerships and regional approaches to economic development, marketing, regional competitiveness, and business assistance.
- 4.5 Encourage the use of telecommunications technology to assist in improving the participation of Appalachian businesses in the international marketplace.
- 4.6 Strengthen the delivery of workforce training programs among the various provider agencies in order to improve the business retention, expansion and formation efforts.
- 4.7 Support the expansion of value-added businesses and sustainable development strategies to build sustainable local economies.
- 4.8 Support tourism activities that are directly linked to overall regional economic development strategies.

## State Objectives and Strategies

Commission Goal 5: Appalachian residents will have access to affordable, quality health care.

State ARC Objective: Improve the availability of health care in under served areas and increase the awareness and use of health care by high risk populations.

### Strategies:

- 5.1 Encourage the establishment of partnerships and innovative arrangements among health care providers in Appalachian Virginia in order to assure quality care and the efficient use of available health care resources.
- 5.2 Encourage the use of telemedicine technology to assist in the delivery of rural health care services.
- 5.3 Continue efforts to place doctors and other medical professionals in medically under served areas through physician and other recruitment programs.

## State Objectives and Strategies

### VIRGINIA'S REGIONAL DEVELOPMENT PRIORITIES

Governor Mark Warner took office in January, 2002. Governor Warner is committed to investing in and working with Virginia's Appalachian communities to address critical economic issues. The new Administration's strategy for economic and community development for the Commonwealth, including Virginia's Appalachian Region has been developed.

In implementing this strategy, the administration will focus on continuing and refining many existing economic development efforts, as well as developing new methods to achieve the established goals for Governor Warner's administration. In drafting this development strategy for Appalachian Virginia and in the development and adoption of the "One Virginia, One Future" economic development plan for the state, Governor Warner relied on the following principles to guide his priorities and objectives:

- The most valuable investment that can be made in the Region is in its people;
- Entrepreneurial economies that focus on high value-added goods and services offer the best opportunity for economic growth for many parts of the region;
- Strategies and objectives should take into consideration the need for the ARC region to participate and compete in the global economy;
- Economic development should be community-based and emphasize local decision making;
- ARC investments should take advantage of technology and telecommunications applications;
- ARC should promote an atmosphere of open and productive communication among all stakeholders in the Region; and
- ARC should focus special attention on the areas of greatest need.

The relationship between these principles, the Commission's five goals and Governor Warner's "One Virginia, One Future" economic strategy for the Commonwealth is clear and seamless. Many of Governor Warner's stated goals and objectives directly support the Commission's goals and will target critical services and funds to Virginia's Appalachian Region. All of these efforts will bring to bear on the economy of Virginia greater investment by leveraging private, federal, state, and local resources. In a time when budgets are tight, it is necessary for all partners to realize that the greatest resources are not always simply dollars but are also found in the hard work, determination, intelligence, and creativity of a community.

In addition to the Virginia State ARC objectives and strategies outlined previously (pages 15-19), the following summary shows the relationship between the five goals of the ARC and the Goals of Governor Warner's "One Virginia, One Future" State economic development plan.

## State Objectives and Strategies

### ARC Goal #1

Appalachian residents will have the skills and knowledge necessary to compete in the world economy in the 21<sup>st</sup> Century.

One Virginia, One Future Goal 2: Provide effective workforce training programs to create and maintain a competitive 21<sup>st</sup> Century workforce in Virginia.

- Provide funds for incumbent worker training, particularly in industries with high layoff risks.

One Virginia, One Future Goal 3: Strengthen Virginia's traditional economic sectors and existing businesses.

- For those of Virginia's traditional industries that are in a state of decline, evaluate the industries' long-term competitiveness for determining future investments. For communities heavily affected by these declining industries, begin planning now for community development, worker re-training and enhanced K-12 programs in vocational/technical education directed at new skills and growth industries.

One Virginia, One Future Goal 4: Support Technology businesses and other emerging and developing sectors of the economy, which are of critical importance to the Commonwealth's global competitiveness.

- Make Virginia the U.S. state with the highest percentage of home hook-ups to affordable broadband.

One Virginia, One Future Goal 5: Concentrate economic development efforts on the areas of greatest need to help reduce economic disparity and increase the prosperity of all Virginians.

- Implement a focused program to reduce by half, within ten years, the percentage of adults in identified distressed areas who do not have high school or equivalent diplomas.
- Encourage expansion in rural areas of telecommunications in general and affordable high-capacity broadband in particular.

## State Objectives and Strategies

### ARC Goal # 2

Appalachian communities will have the physical infrastructure necessary for self-sustaining economic development and improved quality of life.

One Virginia, One Future Goal 1: Maintain and utilize Virginia's strong business climate to create new economic opportunities for all Virginians in an internationally competitive environment.

- Provide incentives for and remove obstacles to intergovernmental revenue sharing for economic development, both within and among regions.
- Seek ways to improve competitive air transportation at existing commercial airports in smaller metro areas.

One Virginia, One Future Goal 4: Support Technology businesses and other emerging and developing sectors of the economy, which are of critical importance to the Commonwealth's global competitiveness.

- Make Virginia the U.S. state with the highest percentage of home hook-ups to affordable broadband.
- Coordinate available state and federal resources to encourage development of broadband capacity throughout Virginia, including use of incentives to providers as necessary.

One Virginia, One Future Goal 5: Concentrate economic development efforts on the areas of greatest need to help reduce economic disparity and increase the prosperity of all Virginians.

- Make transportation improvements in rural areas, particularly seeking the completion of the Coalfield Expressway and Route 58.
- Support development of more sites in urban cores for redevelopment and brownfields development in order to rehabilitate and reuse sites and buildings including retail and mixed-use redevelopment.
- Encourage expansion in rural areas of telecommunications in general and affordable high-capacity broadband in particular.

One Virginia, One Future Goal 6: Strengthen the market position of all of Virginia's regions as travel destinations for national and international visitors.

- Improve facilities of, and develop alternative funding sources for, Virginia's Welcome Center, and customize highway signage for attractions.

In addition to the goals identified above, in December 2002 Governor Warner issued Executive Order 39, "The Virginia Water Supply Initiative." This Executive Order (Appendix C) makes the sufficient supply of safe drinking water a priority for all state agencies and sets forth the following activities:



## State Objectives and Strategies

1. Establish a plan for meeting the drinking water needs within the next five years of an additional 25,000 Virginians who currently lack access to a reliable source of clean drinking water.
2. Conduct outreach with local communities to identify drinking water needs and to heighten awareness of existing state resources.
3. Develop innovative strategies for financing drinking water needs in the Commonwealth.
4. Develop and issue guidelines for giving drinking water a priority in the application for and award of discretionary grants by state agencies.
5. Work with local government and other stakeholders to develop and implement a plan for tailoring state drinking water financing programs to encourage regional water solutions to water supply needs.
6. Work through appropriate state agencies, with the involvement of local stakeholders, to get more appropriate projects ready for available financing.
7. Develop performance measurement standards for all water financing programs at the state level to provide meaningful measurements of the effectiveness of each program and to identify needed improvements.
8. Develop and implement a strategy for ensuring an additional 450 currently impaired streams meet water quality standards by 2010.

## State Objectives and Strategies

### ARC Goal # 3

The people and organizations of Appalachia will have the vision and capacity to mobilize and work together for sustained economic progress and improvement of their communities.

One Virginia, One Future Goal 1: Maintain and utilize Virginia's strong business climate to create new economic opportunities for all Virginians in an internationally competitive environment.

- Provide incentives for and remove obstacles to intergovernmental revenue sharing for economic development, both within and among regions.

One Virginia, One Future Goal 2: Provide effective workforce training programs to create and maintain a competitive 21<sup>st</sup> century workforce in Virginia.

- Improve the performance of Workforce Investment Boards through creation of an operating template, and the preparation and implementation by each Workforce Investment Board of an annual demand-driven workforce plan.
- Align Workforce Investment Act implementation activities with local and regional economic development goals as enabled by increased flexibility in the administration of the Workforce Investment Act.

One Virginia, One Future Goal 3: Strengthen Virginia's traditional economic sectors and existing businesses.

- Change the name of the Department of Business Assistance to the Department of Small Business Assistance and re-focus the Department to serve as the central focus for the state's small business support programs, providing support, networking opportunities, government interface, assistance with procurement opportunities, marketing assistance, and incubator access.

One Virginia, One Future Goal 4: Support technology businesses and other emerging and developing sectors of the economy, which are of critical importance to the Commonwealth's global competitiveness.

- Provide strategically located niche incubators that match a region's assets and goals with the type of industry to be cultivated, and provide significant support services appropriate to the tenants.

One Virginia, One Future Goal 5: Concentrate economic development efforts on the areas of greatest need to help reduce economic disparity and increase the prosperity of all Virginians.

- Within distressed areas, focus economic development efforts on locations in which there is the highest likelihood of success in order to most effectively use state resources.

## State Objectives and Strategies

One Virginia, One Future Goal 6: Strengthen the market position of all of Virginia's regions as travel destinations for national and international visitors.

- Convene a statewide task force to focus on rural tourism development and new rural tourism product.

One Virginia, One Future Goal 7: Encourage the growth of Virginia's economy through support of exports by Virginia companies and other forms of international trade.

- Increase collaboration between the forestry and agribusiness communities and state economic development agencies to identify new export opportunities and help businesses take advantage of them.

## State Objectives and Strategies

### ARC Goal # 4

Appalachian residents will have access to financial and technical resources to help build dynamic and self-sustaining local economies.

One Virginia, One Future Goal 1: Maintain and utilize Virginia's strong business climate to create new economic opportunities for all Virginians in an internationally competitive environment.

- Prioritize incentives by favoring new jobs that exceed the prevailing local average wage. Target incentives to achieve strategic goals.

One Virginia, One Future Goal 2: Provide effective workforce training programs to create and maintain a competitive 21<sup>st</sup> century workforce in Virginia.

- Provide funds for incumbent worker training, particularly in industries with high layoff risks.

One Virginia, One Future Goal 4: Support technology businesses and other emerging and developing sectors of the economy, which are of critical importance to the Commonwealth's global competitiveness.

- Coordinate available state and federal resources to encourage development of broadband capacity through Virginia, including use of incentives to providers as necessary.
- Where prudent, utilize state financial resources to encourage venture capital investments in Virginia companies.

One Virginia, One Future Goal 5: Concentrate economic development efforts on the areas of greatest need to help reduce economic disparity and increase the prosperity of all Virginians.

- Create an enhanced capital access program available to companies in distressed areas.
- As needed, provide higher levels of discretionary incentives in distressed areas to help reduce the competitive disadvantage that may exist and to close economic development deals.

One Virginia, One Future Goal 7: Encourage the growth of Virginia's economy through support of exports by Virginia companies and other forms of international trade.

- Take advantage of untapped Export-Import Bank state partnering funds, by having the Virginia Economic Development Partnership serve as the state conduit for working capital loan programs and market these programs to its current and potential clients.

## State Objectives and Strategies

### ARC Goal # 5

Appalachian Residents will have access to affordable, quality health care.

This ARC Goal falls beyond the scope of Governor Warner's economic development strategic plan. However, the Commonwealth has developed the following objective and priorities in pursuit of this goal as reflected in the State's 2004 Annual Strategy Statement.

State Objective: Improve the availability of health care in under-served areas and increase the awareness and use of health care by high-risk populations.

Priorities:

- Encourage the establishment of partnerships and innovative arrangements among health care providers in Appalachian Virginia in order to assure quality care and the efficient use of available health care resources.
- Encourage the use of telemedicine technology to assist in the delivery of rural health care services through partnerships with healthcare specialists located in the region or outside the region, as needed.
- Continue efforts to place doctors and other medical professionals in medically under-served areas through physician and other recruitment programs.

## State Objectives and Strategies

### REGIONAL INITIATIVES

Strategies for past years' ARC regional initiatives in telecommunications, internationalization of the economy, and civic development have been integrated into the state's strategies and objectives and are fundable in the State's area development program. The state will continue to monitor and provide allocated resources to projects underway within these three initiatives.

To capitalize on the contributions of entrepreneurs to the economic vitality of the region, the State ARC office launched a new small business development program through the Appalachian Entrepreneurship Initiative in 1998. This Initiative has continued through 2003. Virginia's approach for implementing the "Building Entrepreneurial Economies in Appalachia Initiative" in calendar year 2004 is as follows:

#### Virginia's ARC Entrepreneurship Initiative (ARCEI)

The General Provisions applicable to the other ARC Regional Initiatives, and the Appalachian Entrepreneurial Initiative regional goal, eligible activities, and ARC-identified five key elements of an entrepreneurial economy form the framework for carrying out the initiative.

The Commonwealth of Virginia intends to continue to use an outcome framework with the expenditure of these funds. Projects funded under this initiative will demonstrate a direct relationship with the achievement of tangible improvements in the economic health of the community. Projects may be pilots or start-ups, but must be sustainable or replicable to other communities, and must on their own merits provide a measurable, long-term outcome, as well as distinct and measurable outputs (the immediate tangible product of the ARC investment). DHCD will use performance measures of the rate and number of outputs produced, or targets, in contracts with ARCEI grantees. Examples of outputs are the number of persons trained or the number of jobs produced; an example of an outcome is the long-term impact of the quality of jobs produced upon the overall economic health of the community.

Preference is given to proposals focused on a community's individual economic needs, growth-oriented businesses, attracting new dollars into Virginia's ARC region, creating or expanding value-added businesses that may attract other ancillary businesses, and proposals focused on creating multiple smaller-scale firms instead of a single firm.

#### 2003 ARCEI Proposals

A total of \$200,000 (combined Area Development and EI allocation) was available under Virginia's 2003 ARCEI program. Amounts of up to \$40,000 were made available for projects that would implement entrepreneurial assistance activities. All selected projects will support the Initiative's regional goal. That goal is to assist entrepreneurs in the

## State Objectives and Strategies

Appalachian region in starting and expanding businesses, thus creating jobs, increasing local wealth and strengthening local economies. Final investment targets and funding amounts for 2004 are currently under consideration, but should be similar to those of 2003.

### Virginia's ARC Telecommunications Initiative (ARCTI)

In response to the ARC Telecommunications Initiative *Information Age Appalachia* Virginia developed its ARC Telecommunications State Strategy Initiative for FY 2003. Virginia's Strategy mirrors the Commission's Initiative and outlines the process for allocating Virginia's 2003 telecommunications allocation.

The focus of *Information Age Appalachia* is not only on access to infrastructure, but also on applications that use that access. Instead of simply promoting technology by itself, the program seeks to stimulate economic growth and improve the standard of living in the Region through technology-related avenues.

Virginia's overall program will support the Commission's five strategic goals by focusing on the following four distinct subject areas:

#### *Focus Area One: Access and Infrastructure*

Broaden the availability of advanced telecommunications services by promoting increased infrastructure investments from both private sector and government sources.

#### *Focus Area Two: Education and Training*

Ensure that the region is supporting today's workforce as well as developing the workforce of tomorrow by integrating technology into K-12 and continuing education programs plus expanding community awareness and training programs.

#### *Focus Area Three: e-Commerce*

Improve the competitiveness in businesses in the region by increasing the adoption of e-commerce practices.

#### *Focus Area Four: Technology Sector Job Creation*

Increase employment in the technology sector for producer and user industries through investment and entrepreneurship support.

## State Objectives and Strategies

### Outcome-Based Implementation

Virginia's ARC Telecommunications Initiative (TI) program will focus on aspects of the overall "Information Age Appalachia" program and will be implemented on an outcome basis. Virginia, along with ARC, views its role as that of an investor. In the outcome context, proposals must demonstrate a direct relationship between intended project efforts and measurable, tangible improvements to the health of the community being served.

### 2003 ARC TI Proposals

A total of \$200,000 (combined Area Development and TI allocation) was available under Virginia's 2003 ARC TI program. ARC TI investment was targeted as follows:

	Distressed	Transitional	Competitive
Planning	\$12,000	\$ 7,500	\$ 4,500
System Development and Tech. Support	\$30,000	\$30,000	\$30,000
Implementation	\$30,000	\$30,000	\$30,000
<b>Total may not exceed:</b>	\$42,000	\$37,500	\$34,500

All selected projects address one of the three funding categories. Final investment targets and funding amounts for 2004 are under consideration, but should be similar to those of 2003.



## State Operating Policies

### OUTCOME FUNDING INVESTMENT APPROACH

In order to comply with the incremental phasing in of the Government Performance and Results Act of 1993 (GPRA), the State ARC office is aggressively moving toward incorporating outcome funding into the administration of its federal programs. The Commonwealth of Virginia intends to use an outcome framework with the expenditure of all ARC program funds. Funded projects must demonstrate a direct relationship with the achievement of tangible improvements in the economic health of the community. Projects must be sustainable or replicable to other communities, provide measurable long-term outcomes, as well as distinct and measurable outputs.

Each project will include a description of the output and outcome measures to be derived from the project. Benchmarks for each project and the time frame for measurement will be established as part of the initial contract negotiation.

Performance milestones will be monitored and managed by the appropriate state, ARC, and basic federal administering agency staff. An initial risk analysis will be completed on each project to determine its level of difficulty and to gauge the extent of technical assistance that may be warranted.

### FUNDING POLICIES AND PRINCIPLES

Virginia will incorporate several funding policies and principles into the implementation of its ARC Program. These policies and principles are as follows:

- A. ARC funding for a construction project is limited to a maximum of \$500,000.
- B. ARC funding for a non-construction project is limited to a maximum of \$100,000.
- C. ARC participation costs for a project will be limited to 50 percent (50%) of total project costs, with the following exceptions:
  - 1. For community development projects that are located in ARC designated distressed counties and will provide basic services, the maximum ARC grant will be 80 percent (80%) of total project costs;
  - 2. For community or business development projects that are located in an ARC designated economically competitive county, the maximum ARC grant will be 30 percent (30%) of the project costs; and
  - 3. For the State's consolidated technical assistance program and local development access road projects, the maximum ARC grant will be 50 percent (50%) of total project costs.

## State Operating Policies

- D. For Fiscal Year 2004, Virginia will consider three counties as designated distressed counties: Buchanan, Dickenson, and Wise.
- E. In addition to meeting the requirements of the Appalachian Regional Development Act (ARDA) of 1965, each project must demonstrate that it will contribute to the achievement of one or more of the Commission's goal(s) and objective(s). Except that the State may request, in accordance with Section 303 of the ARDA, approval of a project or projects without such supporting demonstration to take advantage of special development opportunities or to respond to emergency economic distress.
- F. The focus of the Virginia ARC program is economic development. Projects that have a greater and direct impact on this focus will receive more favorable consideration than those projects of lesser and indirect impact. To demonstrate direct impact, documentation of job creation or retention and private sector investments must be provided along with how the project will benefit the establishment, expansion, or modernization of firms.
- G. ARC assistance for equipment projects must be matched dollar-for-dollar with non-ARC equipment purchases.
- H. ARC assistance for solid waste is eligible for multi-county (or city) projects for planning solid waste systems, organization of solid waste systems, and for landfill establishment.
- I. Demonstration, planning and technical assistance funds will be available to provide for such activities as more effective delivery of programs/services (multi-jurisdictional consolidations), business development research, technical assistance, community capacity building planning, and technical assistance designed especially for distressed counties.
- J. Virginia will limit the use of the ARC Access Road funding to "development access roads" to be used after other state access road funds have been exhausted.
- K. Preference will be given to projects that address identified regional needs and reflect cooperative efforts among local governments, nonprofits, the private sector, and/or educational institutions.

## State Operating Policies

### PROJECT DEVELOPMENT, SELECTION, AND EVALUATION

#### Project Development

The Virginia ARC project development process involves two separate phases: the proposal phase (conducted between June and August) and the final application phase (conducted between September and May of the following calendar year).

The Virginia ARC project development process begins in June of the current fiscal year. After notification by the State ARC Office to local governments, educational institutions, nonprofit organizations, and the LDDs in the region, the State ARC Office and the LDDs provide technical assistance to applicants in the development of proposals. A “How-to-Apply” workshop was held July 1, 2003 to provide project development technical assistance for FY 2004 proposals.

During September, the State ARC Office begins the process of reviewing and evaluating each project proposal.

#### Project Selection

The following qualification and proposal evaluation criteria levels will be utilized in the project selection process for 2004 proposals.

Level 1: Review at this level will concentrate on the project's:

1. Applicant and activity eligibility;
2. Project description clarity;
3. Ability to meet the needs identified in the proposed service area; and
4. Ability to fill a “gap” in currently offered services available locally or regionally.

Level 2: Review at this level will concentrate on the project's:

1. Possession of clearly described performance targets (product-focused outputs) to be achieved throughout the project and the overall outcomes;
2. Capacity of applicant organization to implement the project and readiness to go of project;
3. Leveraging of non-ARC resources;
4. Creativity of approach; and
5. Establishment or significant enhancement of collaborative relationships among local and regional providers.
6. Sustainability or the ability to maintain the proposed effort into the future.

## State Operating Policies

### Project Evaluation

**Project implementers** will have the responsibility of documenting the project's achievement of the intended performance targets. Implementers should not wait until the end of the project to evaluate performance target attainment. Evaluative measures will focus on verifying whether the customers (1) experienced the desired effect in each performance target, and (2) successfully moved to the next level of performance targets. Strategically timed and direct customer verification will allow for necessary program analysis and reconfiguration in order to achieve the overall project outcome.

As the **project investor**, the Virginia ARC Office will periodically review the customer verification of performance target attainment. Evaluative measures will focus on highlighting goal attainment and providing technical assistance in project reconfiguration.

### INVESTMENT TIMETABLE

The above described proposal evaluation and selection process for the Virginia ARC program will occur during the months of September and October. This office anticipates amending this Strategy Statement with the selected FY 2004 project recommendations prior to December 2004.